SME current challenges
Survey report

Research and Market intelligence team at BDC
November 2022
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01. Methodology
Methodology

Survey methodology
Online survey.

Respondent profile
Business owners and business decision-makers from the BDC ViewPoints panel.

Survey dates
October 25 through November 4, 2022

Margin of error
For a probabilistic sample of 606 respondents, the maximum margin of error is ± 3.98 percentage points, 19 times out of 20. However, as this survey is based on a non-probabilistic sample, this information is provided for reference only.

Data processing and analysis
Were performed by the BDC Research and Market Intelligence team.

Weighting factors
Results were weighted by region and number of employees to be representative of the Canadian SME population.
02. Key highlights
Key highlights

Main barriers to achieving business objectives:

- **Lack of qualified employees**: 41%
  - Actions taken: Revised hiring practices (33%), Offered more training & development (19%), Offered better working conditions (18%)

- **High economic uncertainty**: 35%
  - Actions taken: Reduced spending / investments (26%), Managed liquidity/debt (13%), Internal improvement projects (11%)

- **Low cash flow position**: 31%
  - Actions taken: Developed new markets, clients, increased sales (20%), Reduced expenses/costs (19%), Sought out financing (11%)

Current state of debt:

- **Difficulty to obtain financing**: 25%
  - Actions taken: Made internal changes to company (25%), Financed elsewhere than chartered banks (11%)

Difficulties obtaining financing may be a lesser barrier for most because...  
- 63% are comfortable with their company’s current level of debt
- 78% state that the company could take on more debt if needed
03. Detailed results
S3AQ1. Which of the following factors are the biggest barriers to achieving your business objectives?

- Lack of qualified employees: 41%
- High economic uncertainty: 35%
- Low cash flow position: 31%
- Difficulty obtaining financing: 25%
- High input costs: 21%
- Insufficient capacity: 17%
- Low prices for your products and services: 12%
- Unfavourable exchange rates: 10%
- Low demand: 9%
- Other external barriers*: 7%
- Other internal barriers*: 5%
- Other: 1%
- No particular barrier: 8%

_base_: All respondents (n=606). Those who did not know were excluded from the calculation base. A maximum of three mentions was allowed, therefore total may exceed 100%. *These options were added by respondents in the “Other, please specify” option and recoded.
S3AQ2a. Which **action(s) or plan(s)** have you put in place to respond to **low demand**?

- **Undertook marketing actions**: 64%
- **Increased digital initiatives**: 15%
- **Undertook sales actions**: 10%
- **Reduced prices**: 8%
- **Diversified market**: 7%
- **Increased investments**: 6%
- **Diversified offer (products, services)**: 5%
- **Other, not a plan or action**: 12%

*“New marketing plan, increase digital presence and more social media.”*

*“Being deliberate with the marketing dollars we have and not just randomly advertising and hoping it works.”*

**Base**: Those who said this aspect was a barrier (n=31). Verbatim responses have been coded to create categories, only those with 2%+ of mentions are presented. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.
S3AQ2b. Which action(s) or plan(s) have you put in place to respond to a lack of qualified employees?

Revised hiring practices: 33%
- Offered more training and development: 19%
- Offered better working conditions: 18%
- Hired overseas / foreign workers: 14%
- Hired recent grads / co-op students / interns: 10%
- Revised HR practices: 7%
- Hired recruitment firm / external recruiters: 6%
- Revised growth plans / reduced sales objectives: 4%
- Automation: 3%
- Same resources worked longer hours: 2%
- Other, not a plan or action: 13%
- No plan or action as of yet: 3%

“*We have done digital campaigns; a referencing program and we regularly renew our ads on job boards.*”

“*We’ve moved from seasonal hiring to continuous and are actively changing positions within the company.*”

**Base:** Those who said this aspect was a barrier (n=202). Verbatim responses have been coded to create categories, only those with 2%+ of mentions are presented. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.
Actions put in place to respond to insufficient capacity

S3AQ2c. Which **action(s) or plan(s)** have you put in place to respond to **insufficient capacity**?

- **Added capacity (equipment, employees)**: 42%
- Automation / technology: 10%
- Added additional suppliers / outsourcing: 7%
- Revised offer (products, services): 7%
- Work longer / more hours: 6%
- Revised strategy and/or growth, sales objectives: 5%
- Optimized operations to increase efficiency, productivity: 5%
- Optimized / increased space: 4%
- Other, not a plan or action: 12%
- No plan or action as of yet: 9%

*Base: Those who said this aspect was a barrier (n=63). Verbatim responses have been coded to create categories, only those with 2%+ of mentions are presented. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.*

- "We are increasing capacity by taking on contract workers in less expensive parts of the world."
- "We are working to get cashflow improved so we can bring on more staff to handle capacity and manage the incoming money that is currently being left on the table due to lack of capacity. Chicken-and-egg issue."
- "The manual capacity is close to being reached, what would help us is mechanical help like a coating machine to increase the production capacity."
S3AQ2d. Which **action(s) or plan(s)** have you put in place to respond to a **low cash flow position**?

- Developed market, increased sales, clients: 20%
- Reduced expenses / cut costs: 19%
- Sought financing: 19%
- Better manage cash flow / receivables-payables: 15%
- Turned to BDC financing: 7%
- Renegotiated with suppliers: 5%
- Optimized internal operations: 4%
- Refinanced / divested equipment: 3%
- Reduced employees / layoffs: 3%
- Used credit line: 3%
- Increased prices / modified business model: 3%
- Renegotiated with financing institution: 2%
- Used personal money: 2%
- Consolidated / paid down debt: 2%
- Reduced growth objectives: 2%
- Other, not a plan or action: 11%
- No plan or action as of yet: 6%

**Base:** Those who said this aspect was a barrier (n=98). Verbatim responses have been coded to create categories. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.

- “Try to focus more on sales, smaller, quicker sales.”
- “Try some new products in new markets to generate some more cashflow.”
- “Cutting expenses, reducing administrators’ salaries.”
- “We are beginning to address this issue now with loans from various lenders and conversations with potential investors.”
S3AQ2e. Which action(s) or plan(s) have you put in place to respond to a difficulty to obtain financing?

- Internal changes to improve situation: 25%
- Used financing means other than with a Canadian bank: 11%
- Applied for financing at multiple financial institutions: 10%
- Applied for grants / government programs: 9%
- Sought out financial advice: 4%
- Obtained BDC loan: 3%
- Requested cash flow financing: 2%
- Other, not a plan or action: 26%
- No plan or action as of yet: 11%

Base: Those who said this aspect was a barrier (n=64). Verbatim responses have been coded to create categories, only those with 2%+ of mentions are presented. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.

“Keeping a keen eye on the company’s cashflow. Not buying tools for the sake of buying. Allowing people to do the work they’re good at, not the work they’re assigned to do as per their job title, thus keeping a more productive workforce.”

“Rewriting business plan, working with not-for-profit organizations for support and potential future funding. Improving my marketing strategy and online presence.”
S3AQ2f. Which **action(s) or plan(s)** have you put in place to respond to **high economic uncertainty**?

<table>
<thead>
<tr>
<th>Action (s) or Plan (s)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced spending or investments</td>
<td>26%</td>
</tr>
<tr>
<td>Managed liquidity / debt</td>
<td>13%</td>
</tr>
<tr>
<td>Undertook internal improvement projects</td>
<td>11%</td>
</tr>
<tr>
<td>Revised offer (product, service)</td>
<td>10%</td>
</tr>
<tr>
<td>Developed a contingency plan / emergency fund</td>
<td>6%</td>
</tr>
<tr>
<td>Diversified clientele / market</td>
<td>5%</td>
</tr>
<tr>
<td>Adjusted prices (higher or lower)</td>
<td>5%</td>
</tr>
<tr>
<td>Adapted business model / strategy</td>
<td>4%</td>
</tr>
<tr>
<td>Reduced / limited staff (hiring freeze, layoffs)</td>
<td>2%</td>
</tr>
<tr>
<td>Other, not a plan or action</td>
<td>13%</td>
</tr>
<tr>
<td>No plan or action as of yet</td>
<td>17%</td>
</tr>
</tbody>
</table>

**Base:** Those who said this aspect was a barrier (n=107). Verbatim responses have been coded to create categories, only those with 2%+ of mentions are presented. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.

"Watch costs closely. Don't spend unless absolutely necessary."

"Unfortunately, due to the nature of the business, our only plan option is to control expenditures and factor in higher risk when making business decisions, in order to conserve cash and reduce risk."
Actions put in place to respond to low prices for products/services

S3AQ2g. Which action(s) or plan(s) have you put in place to respond to low prices for your products and services?

- Increased markup / prices / minimum order quantity: 40%
- Expanded / revised target market: 18%
- Created more value-added products / services: 14%
- Reduced prices: 10%
- Reduced input costs: 9%
- Sought out efficiencies: 8%
- Expanded offering (product, service): 7%
- Monitored market, competition: 6%
- Other, not a plan or action: 17%
- No plan or action as of yet: 5%

“Moving up markup, setting (a) minimum price per invoice.”

“Increase prices as required to maintain profitability, even at the expense of losing customers. Focus on providing value versus absolute price competitiveness. Focus on premium customer segments, such as retail consumers, higher-end restaurant consumers. Increase product value perception with expanded premium branding and packaging.”

Base: Those who said this aspect was a barrier (n=36). Verbatim responses have been coded to create categories. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.
Actions put in place to respond to unfavourable exchange rates

S3AQ2h. Which **action(s) or plan(s)** have you put in place to respond to **unfavourable exchange rates**?

<table>
<thead>
<tr>
<th>Action(s)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Looked for new / local suppliers</td>
<td>19%</td>
</tr>
<tr>
<td>Bought on forward / spot market</td>
<td>14%</td>
</tr>
<tr>
<td>Waited for more favorable rates</td>
<td>14%</td>
</tr>
<tr>
<td>Increased prices / passed costs along to customers</td>
<td>11%</td>
</tr>
<tr>
<td>Sold more in USD</td>
<td>8%</td>
</tr>
<tr>
<td>Changed the way foreign currency is purchased</td>
<td>3%</td>
</tr>
<tr>
<td>Held prices as they are</td>
<td>2%</td>
</tr>
<tr>
<td>Negotiated payment currency with suppliers</td>
<td>2%</td>
</tr>
<tr>
<td>Other, not a plan or action</td>
<td>14%</td>
</tr>
<tr>
<td>No plan or action as of yet</td>
<td>26%</td>
</tr>
</tbody>
</table>

*Try to find suppliers with a more advantageous currency* 
*Try to buy local product as opposed to product from the US.* 

“We need to be cautious, as when we purchase a shipment, the cost difference can price us out of the market and therefore, we have implemented timing as our method to respond to exchange rates. We have also looked to North America for similar products.”

**Base:** Those who said this aspect was a barrier (n=38). Verbatim responses have been coded to create categories. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.
S3AQ2i. Which action(s) or plan(s) have you put in place to respond to high input costs?

- Sought out new / changed suppliers: 20%
- Increased prices, rates: 18%
- Purchased larger quantities / increase inventory: 15%
- Reduced / revised expenses or investments: 11%
- Renegociated supplier contracts: 7%
- Looked for alternative / lower priced inputs: 6%
- Revised offer (product, service): 5%
- Implemented productivity improvements: 5%
- Automated / implemented technology: 4%
- Sought financing / financial advice: 4%
- Revised processes / used inputs more efficiently: 3%
- Other, not a plan or action: 12%
- No plan or action as of yet: 11%

*Base:* Those who said this aspect was a barrier (n=89). Verbatim responses have been coded to create categories. Respondents were asked to answer a maximum of 2 follow-up questions among those selected as barriers. This question was not mandatory.
S3AQ7. How comfortable are you with your company’s current debt level?

- Very comfortable: 33%
- Somewhat comfortable: 30%
- Somewhat uncomfortable: 24%
- Very uncomfortable: 12%

S3AQ8. If you needed to, could your company take on more debt at this time?

- Yes: 78%
- No: 22%

**Base:** All respondents (n=601). Those who were not sure or preferred not to answer were excluded from the calculation base.
04. Respondent profile
Profile of survey respondents

Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of employees</th>
<th>Annual sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>1 to 4</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td>5 to 19</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>20 to 49</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>50 to 99</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>100 to 499</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of employees

<table>
<thead>
<tr>
<th>Years in business</th>
<th>Services</th>
<th>Manufacturing</th>
<th>Retail</th>
<th>Wholesale trade</th>
<th>Construction</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>14%</td>
<td>12%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>5 to 9 years</td>
<td>17%</td>
<td>12%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>10 to 14 years</td>
<td>18%</td>
<td>12%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>15 to 24 years</td>
<td>20%</td>
<td>12%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>25+ years</td>
<td>30%</td>
<td>12%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Sector of activity

<table>
<thead>
<tr>
<th>Specific activities*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buys goods or services outside Canada</td>
</tr>
<tr>
<td>Sells goods or services outside Canada</td>
</tr>
<tr>
<td>Owner of one or more commercial buildings</td>
</tr>
<tr>
<td>Invests in research and development (R&amp;D)</td>
</tr>
<tr>
<td>Owner of high value equipment</td>
</tr>
<tr>
<td>Acquired another business in the past</td>
</tr>
</tbody>
</table>

Base: All respondents (n=547-606). Those who did not know or preferred not to answer were excluded from the calculation base. For the sectors, only those with 7%+ respondents are presented. *Multiple mentions were allowed, therefore total exceeds 100%. 
Profile of survey respondents (cont.)

### Profitability

- **Profitable**: 60%
- **Break even**: 17%
- **Not profitable**: 23%

### Carbon footprint actions

- **Several actions**: 20%
- **Some actions**: 29%
- **None, but intend to**: 13%
- **None, don't intend to**: 11%
- **Not applicable**: 26%

### Owners' age

- **Less than 45**: 15%
- **45 and over**: 85%

### Client status*

- **Current, Financing**: 48%
- **Current, AS**: 5%
- **Former, Financing**: 13%
- **Former, AS**: 10%
- **Never been client**: 33%

**Base**: All respondents (n=585-594). Those who did not know or preferred not to answer were excluded from the calculation base. *Multiple mentions were allowed, therefore total exceeds 100%.
Profile of survey respondents (cont.)

**Future sales**
- Plan to sell outside of Canada: 46%
- No plan to sell outside of Canada: 54%

**Gender ownership**
- Male: 56%
- Female: 19%
- Equal proportions: 25%

**Location**
- Large urban population centre: 68%
- Medium population centre: 15%
- Small population centre: 11%
- Rural area: 6%

**Diversity**
- Immigrant person: 28%
- Member of a visible minority: 14%
- Child of an immigrant person: 13%
- Person with a disability: 6%
- LGBTQ2+ person: 5%
- Person with military service: 4%
- Indigenous person: 3%
- None of the above: 49%

*Base: All respondents (n=547-606). Those who did not know or preferred not to answer were excluded from the calculation base. *Only those who were not already selling goods or services outside of Canada were asked this question. **Multiple mentions were allowed, therefore total exceeds 100%.
Thank you.

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